Voluntary _ Public

Date: 10/15/2012

GAIN Report Number:

Nigeria

Post: Lagos

Update of Nigeria's Rice Market as of October 2012

Report Categories:
Grain and Feed

Approved By:
Russ Nicely, Regional Agricultural Counselor

Prepared By:
Marcela Rondon, Regional Ag. Attache & Uche Nzeka, Ag. Marketing Specialist

Report Highlights:
Nigeria is forecast to increase rice production by 200,000 tons to reach a total of 2.9 million in 2012/13. Imports are projected to increase to 3.0 million ton from 2.5 million tons in 2011/12. The Government of Nigeria (GON) introduced new tariffs for rice (effective July 1, 2012) which brought a 30 percent levy on imported brown rice and a 50-percent levy on imported polished/milled rice with an expected final levy increase of 100 percent, effective December 31, 2012. The new expected tariffs have resulted to stockpiling of rice by importers and have increased cross-border trade in rice (with Benin and Cameroon), which is expected to reach 100,000 tons.

General Information:
Although Nigeria's fertile land and rich agro-climatic conditions could easily produce rice to feed its population and generate a surplus for exports, the country's domestic production accounts for less than half of its consumption. The market gap for rice is filled by imports mostly from India, Thailand, and Brazil.

Nigeria's rice production in 2012/13 is forecast at 2.9 million tons, up 200,000 tons from 2.7 million tons in 2011/12. Industry sources indicated that there is some increased production in Nigeria's five rice growing states. However, they indicated facilities are inadequate and cannot grow rice competitively beyond 20 percent of current production by 2015.

President Good luck Jonathan announced new tariff measures for several commodities, including rice, in the 2012 Appropriation Bill which was passed by the country's National Assembly earlier this year. These measures included a 30 percent levy on imported brown rice and a 50-percent (starting in July 1, 2012) levy on imported polished/milled rice, with an expected final levy increase of 100 percent effective December 31, 2012. Prior to this, the import duty on seed, paddy and brown rice was five percent while the import duty for semi and wholly milled rice was 30 percent. The import duty on seed and paddy remains at five percent without additional levy to encourage local value addition by importers with milling facilities.

Post revised upwards estimates of Nigeria's imports in MY2011/12 to 3.0 million tons from 2.5 million tons during the 2nd quarter of year 2012. Post reached out to major rice importers to confirm that stockpiling has occurred ahead of July 1, 2012, when the GON's new tariffs took effect. It is expected to continue to do so as the tariffs will increase again by the end of the year. Also, about 100,000 tons of rice was reported to have entered the market informally across the borders with Benin and Cameroon. Post expects that cross-border trade will increase geometrically by the end of calendar year 2012.

India's removal of its export ban on non-basmati rice has resulted in the dominance of cheaper Indian rice in the Nigerian market. Currently, rice from Thailand costs 25-30 percent more than Indian rice and imported rice is coming from India (65 percent), Thailand (20 percent), Brazil (10 percent), and others, including China (5 percent).

The GON reviews quarterly the benchmark price for all types of imported rice and from all origins. The import duty is calculated based on this benchmark price, regardless of the actual FOB price. The per metric ton benchmark price was fixed at $699 for the 2nd and 3rd quarters of 2012 but dropped to $673 during the last quarter beginning October 2012.

Exchange Rate: $ 1 = 160 Naira